

Message Text

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PAGE 01 STATE 168196
ORIGIN EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 STR-07 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02 OMB-01
DOE-15 AGR-01 /149 R

DRAFTED BY EB/OT/STA:WDIROLL:MEH
APPROVED BY EB/OT/STA:TO'HERRON
STR:RSPAR
EA/K:BPORTER
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EA/ROC:WLUNDY

-----012365 031820Z /47

P 031727Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY SEOUL PRIORITY
AMEMBASSY TAIPEI PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY BONN PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY COPENHAGEN PRIORITY
AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY STOCKHOLM PRIORITY
AMEMBASSY DUBLIN PRIORITY
USMISSION GENEVA PRIORITY
AMCONSUL DUSSELDORF PRIORITY

UNCLAS STATE 168196

EMBASSY ALSO FOR USOECD, USEEC

E.O. 11652: N/A

UNCLASSIFIED

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PAGE 02 STATE 168196

TAGS: ETRD

SUBJECT: STAINLESS STEEL FLATWARE: PRESIDENT DETERMINES
IMPORT RELIEF NOT IN NATIONAL ECONOMIC INTEREST

REF: STATE 135673

1. ON JUNE 30, AMBASSADOR ROBERT S. STRAUSS, THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ANNOUNCED THAT THE PRESIDENT HAD DECIDED TO DENY IMPORT RELIEF TO DOMESTIC PRODUCERS OF STAINLESS STEEL TABLE FLATWARE. THE FOLLOWING IS THE TEXT OF THE PRESS RELEASE ISSUED BY THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS ANNOUNCING THE PRESIDENT'S DECISION (BEGIN TEXT):

PRESIDENT CARTER, BASED ON NATIONAL ECONOMIC INTEREST CONSIDERATIONS, HAS DECIDED TO DENY IMPORT RELIEF TO DOMESTIC PRODUCERS OF STAINLESS STEEL TABLE FLATWARE, AMBASSADOR ROBERT S. STRAUSS, THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, ANNOUNCED TODAY.

PRESIDENT CARTER HAS DETERMINED THAT IMPOSING AN INCREASED TARIFF RECOMMENDATION OF THE U.S. INTERNATIONAL TRADE COMMISSION (USITC), OR ANY OF THE OTHER FORMS OF IMPORT RELIEF PROVIDED FOR IN THE TRADE ACT OF 1974, WOULD NOT BE EFFECTIVE TO PROMOTE ADJUSTMENTS IN THE INDUSTRY. THE DOMINANT FIRM IN THE DOMESTIC INDUSTRY CURRENTLY UTILIZES TECHNOLOGICALLY ADVANCED MANUFACTURING EQUIPMENT AND, ALONG WITH A NUMBER OF SMALLER FIRMS, IS COMPETITIVE AND PROFITABLE. MOST MAJOR DOMESTIC PRODUCERS OF FLATWARE ALSO IMPORT SUBSTANTIAL AMOUNTS OF FLATWARE TO SUPPLEMENT THE PARTICULAR PRODUCT LINES IN WHICH THEY SPECIALIZE. THUS, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 168196

IMPORT RELIEF MAY GIVE UNNECESSARY PROTECTION TO SOME DOMESTIC PRODUCERS WHO DO NOT NEED IT, WHILE ADVERSELY AFFECTING DOMESTIC PRODUCERS WHO RELY ON IMPORTS TO IMPROVE THEIR OVERALL PROFITABILITY.

IN ANNOUNCING THE PRESIDENT'S DECISION, AMBASSADOR STRAUSS POINTED OUT THAT IMPORT RELIEF WOULD DISCRIMINATE AGAINST LOW INCOME PURCHASERS AND SUBSTANTIALLY INCREASE COSTS TO CONSUMERS (UNDER THE USITC'S RECOMMENDED REMEDY COSTS WOULD INCREASE BY AN ESTIMATED 33 MILLION DOLLARS IN THE FIRST YEAR OF RELIEF). THESE ADDED COSTS WOULD INCREASE EVEN FURTHER IF THE MODERATING INFLUENCE THAT LOW PRICE IMPORTS HAVE ON THE PRICES OF DOMESTICALLY PRODUCED FLATWARE WERE ELIMINATED. IN A TIME WHEN THE U.S. IS STRIVING TO REDUCE COSTS AND CONTROL INFLATION, THESE ADDED COSTS WERE JUDGED TO BE TOO HIGH.

THE DOMESTIC FLATWARE PRODUCING INDUSTRY HAS RECEIVED IMPORT RELIEF IN THE FORM OF TARIFF RATE QUOTAS FOR 13 OUT OF THE PAST 20 YEARS IN ORDER TO FACILITATE ADJUSTMENT TO IMPORT COMPETITION. PROVIDING FURTHER PROTECTIVE IMPORT RELIEF WOULD BE INCONSISTENT WITH THE INTERNA-

TIONALLY ACCEPTED CONCEPT THAT IMPORT RELIEF SHOULD BE TEMPORARY.

LAST YEAR, THE COMMERCE DEPARTMENT INITIATED A FOOTWEAR INDUSTRY REVITALIZATION PROGRAM TO ASSURE THAT THE U.S. SHOE INDUSTRY WOULD EXPAND AND RESPOND TO IMPORT COMPETITION IN THE MOST PROFITABLE WAY. THE DEPARTMENT OF COMMERCE HAS BEEN ASKED TO EXAMINE THE FEASIBILITY OF DESIGNING SUCH A PROGRAM FOR THE STAINLESS STEEL FLATWARE INDUSTRY.

THE USITC, ON MAY 8, FOUND THAT THE DOMESTIC INDUSTRY HAD BEEN SERIOUSLY INJURED, OR THREATENED WITH SERIOUS INJURY, BECAUSE OF INCREASED IMPORTS, AND RECOMMENDED UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 168196

IMPORT RELIEF IN THE FORM OF A SUBSTANTIAL TARIFF INCREASE. SPECIFICALLY, THE USITC RECOMMENDED THAT THE TARIFF RATE ON STAINLESS STEEL TABLE FLATWARE (WHICH CURRENTLY AVERAGES 17 PERCENT AD VALOREM) BE INCREASED TO AN AVERAGE OF 59.1 PERCENT AD VALOREM IN THE FIRST YEAR, AND PHASED DOWN IN FIVE PERCENTAGE POINT DECREMENTS IN

THE FOLLOWING THREE YEARS, WITH A TEN PERCENTAGE POINT DECREMENT IN THE FIFTH AND FINAL YEAR.

WHILE THE AMOUNT OF IMPORTS HAS SUBSTANTIALLY INCREASED SINCE THE EXPIRATION OF THE PRIOR TARIFF RATE QUOTA IN SEPTEMBER 1976, THE OVERALL PERFORMANCE OF THE DOMESTIC INDUSTRY HAS BEEN RELATIVELY STABLE. SHIPMENTS OF DOMESTICALLY PRODUCED FLATWARE HAVE DECLINED ONLY SLIGHTLY FROM 16.5 MILLION DOZEN PIECES IN 1975 TO 15.7 MILLION DOZEN PIECES IN 1977. THE VALUE OF SUCH SHIPMENTS INCREASED, HOWEVER, FROM 65.7 MILLION DOLLARS IN 1975 TO 71.7 MILLION DOLLARS IN 1977. EMPLOYMENT WAS RELATIVELY STEADY WITH ONLY 122 JOB LOSSES SINCE 1975 FOR THE INDUSTRY AS A WHOLE. MANY OF THESE UNEMPLOYED WORKERS ARE CURRENTLY RECEIVING TRADE ADJUSTMENT ASSISTANCE BENEFITS. THE USITC ESTIMATES GRADUALLY INCREASING PRODUCTION OF FLATWARE EVEN IN THE ABSENCE OF IMPORT RELIEF AND THIS SHOULD HAVE A STABILIZING EFFECT ON THE NUMBER OF JOBS IN THE INDUSTRY.

IN 1977, IMPORTS WERE 47.9 MILLION DOZEN PIECES PRIMARILY FROM JAPAN (28 PERCENT), TAIWAN (20 PERCENT) AND KOREA (50 PERCENT). OTHER SOURCES INCLUDED HONG KONG, AND THE EUROPEAN COMMUNITY INCLUDING THE UNITED KINGDOM. THE RATIO OF IMPORTS TO U.S. CONSUMPTION (BY QUANTITY) INCREASED FROM 64 PERCENT IN 1975 TO 75 PERCENT IN 1977. UNCLASSIFIED

UNCLASSIFIED

PAGE 05 STATE 168196

IN VALUE TERMS, THE SAME RATIO INCREASED FROM 38 PERCENT
IN 1975 TO 50 PERCENT IN 1977. (END TEXT)

2. TEXT OF GATT NOTIFICATION WILL FOLLOW SEPTTEL.

3. US MISSION OECD PARIS MAY INFORM OECD SECRETARIAT.

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Message Attributes

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